

Internal Revenue Service
District Director

Department of the Treasury

[REDACTED]

Date: DEC 30 1993

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(6) of the Internal Revenue Code.

The evidence presented discloses that you were incorporated on [REDACTED] under the non-profit law of the State of [REDACTED].

The object for which the corporation is established is to promote and facilitate the development and enhancement of [REDACTED] financial software products.

The evidence presented with your application Form 1024 indicates that the organization consists of representatives of diversified businesses who own or lease computer software from [REDACTED] a software provider.

The application states that members of the organization are solicited for requests on how to modify the [REDACTED] product according to trends in their respective industries and the marketplace.

The application also states that the qualification for membership is to have purchased [REDACTED] software.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

In the case of National Muffler Dealers Association v. U.S. 440 U.S. 472 (1979) the court held that an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business.

Revenue Ruling 83-164, 1983-2 C.B. 95 described an organization whose members represent diversified businesses that own, rent, or lease computers produced by a single computer manufacturer. The organization described above was determined not to be exempt from Federal income tax as a business league under section 501(c)(6) of the Code. By directing its activities only to the users of a single brand of computer, the organization was determined to be directing its activities towards the improvement of business conditions in only segments of the various lines of business to which its members belong. Because it limited its activities to the users of a single brand of computer, the organization's activities were not directed towards the improvement conditions in one or more lines of business within meaning of section 501(c)(6)-1 of the regulations.

Because the organization directs its activities to the users of [REDACTED] software, the organization helps to provide a competitive advantage to [REDACTED] and to its users at the expense of [REDACTED]'s competitors and their customers that may use other brands of software. Thus, the organization's activities are not directed towards the improvement of business conditions in one or more lines of business within the meaning of section 501(c)(6) of the Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(6) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,


District Director

Enclosure: Publication 892